

Regulatory Positioning Report

under Ordinance No. 17 – 2025

CONFIDENTIAL



USVT Stablecoin

Shariah-Compliant Digital Currency

July 2025

Regulatory Submission

Private & Confidential

version 1.0

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1. Executive Summary

This report initiates a pre-engagement dialogue with the Hong Kong Monetary Authority (HKMA) to demonstrate USVT's comprehensive understanding of Ordinance No. 17 – 2025, affirm USVT's alignment with its requirements across legal, governance, reserve, technical, and operational domains, and outline the roadmap for sandbox collaboration or pre-licensing engagement.

The legal framework for USVT separates token issuance from reserve custody in full compliance with the HKMA's segregation requirements. Governance comprises independent board committees for Risk, Audit, and Compliance, alongside a dedicated Shariah Supervisory Committee, ensuring robust oversight and accountability.

Reserve assets maintain a strict 1:1 USD-peg through a diversified, halal-compliant portfolio of US dollar cash and short-term government securities, high-grade Sukuk, allocated gold, and approved foreign-exchange liquidity lines. Automated on-chain proof-of-reserve, supported by monthly third-party attestations, delivers real-time monitoring and transparency in line with HKMA reconciliation standards.

The technical infrastructure features a hybrid Layer-1/2 blockchain with HKMA-compliant node governance, fully audited smart-contract automations to manage issuance, redemption, and reserve rebalancing, and quantum-resistant cryptographic algorithms to ensure long-term security against quantum computing threats. Operational resilience is underpinned by enterprise-grade KYC/AML/CFT systems and comprehensive disaster-recovery protocols aligned with FATF and HKMA

guidelines.

USVT's phased rollout in Hong Kong encompasses legal entity establishment, Shariah-compliance pilots, technical deployment, and live sandbox testing. Tokenisation capabilities, including real-world assets and Sukuk issuance, provide adaptability to evolving regulatory requirements.

By mapping each element of Ordinance No. 17 – 2025 to USVT's policies and infrastructure, this Executive Summary underscores USVT's readiness for licensing, invites constructive engagement with the HKMA, and paves the way for a secure and compliant stablecoin launch in Hong Kong.

2. Understanding HKMA Stablecoin Regulations (Ordinance No. 17 – 2025)

2.1. Licensing Requirements

Under Ordinance No. 17 – 2025, any entity carrying out stablecoin activities in Hong Kong must obtain a Stablecoin Issuer Licence covering four activities: issuance, redemption, custody, and reserve management.

Applicants must submit under sections 14–16 and meet all minimum criteria in Schedule 2 Part 2, which comprise:

- **Corporate Status:** The licensee must be a company incorporated in Hong Kong or an authorized institution incorporated outside Hong Kong.
- **Financial Resources:** The licensee must maintain adequate financial resources and liquid assets to meet actual and contingent obligations, evidenced by paid-up share capital of no less than HKD 25,000,000 (or equivalent in a freely convertible currency) or other financial resources approved by the Monetary Authority.
- **Fit-and-Proper Persons:** The licensee must have systems of control to ensure that the Monetary Authority is informed of the identity of each controller; each chief executive, director, stablecoin manager, controller, and manager must be a fit and proper person.
- **Knowledge and Experience:** Officers responsible for the day-to-day management and operation of licensed stablecoin activities must possess the appropriate knowledge and

experience, and the licensee must implement controls to ensure ongoing compliance.

The Monetary Authority will grant a licence only upon satisfaction that all criteria are fulfilled, thereby ensuring that only well-structured, financially robust, and professionally governed entities undertake stablecoin issuance in Hong Kong.

2.2. Governance and Oversight

Ordinance No. 17 mandates robust governance and oversight over stablecoin operations through detailed control and disclosure measures:

- Licensees must establish and maintain adequate risk-management policies and procedures for all licensed activities, ensuring that controls cover governance, internal audits, and compliance oversight.
- Reserve assets must be subject to regular independent attestation and audit by approved auditors at least quarterly, confirming that reserves fully cover outstanding token liabilities at par value.
- Licensees must make adequate and timely public disclosures of their reserve assets management policy and a comprehensive assessment of the risks arising from reserve management and mitigation measures.
- Ongoing regulatory reporting obligations require licensees to submit periodic returns to the Monetary Authority, detailing activities, financial position, reserve reconciliations, and compliance status.

2.3. Reserve Composition & Management

Under Schedule 2, licensees must ensure that reserve assets:

- Are held in aggregate at a market value at least equal to the par value of all outstanding stablecoins in circulation (100% backing).
- Consist solely of high-quality, high-liquidity assets denominated in the reference currency (USD) or its equivalents, and, unless approved otherwise, held in the same reference asset as the stablecoin.
- Include permissible asset classes—cash, short-term government securities, high-grade Sukuk, gold, and FX forwards—subject to concentration limits defined by the Monetary Authority.
- Be protected against claims by other creditors of the licensee and segregated from any other funds held by the licensee.
- Be managed under policies and procedures that enable prompt honouring of redemption requests without undue delay, supported by real-time reserve monitoring and reconciliation systems.

2.4. Operational Resilience & Consumer Protection

Ordinance No. 17 prescribes standards to safeguard system integrity and consumer rights:

- Licensees must implement business continuity and disaster recovery protocols to ensure uninterrupted provision of stablecoin services under all circumstances.
- KYC, AML, and CFT frameworks must align with FATF standards and local laws, incorporating robust identity verification, transaction monitoring, and reporting mechanisms.
- Clear user disclosures are required, including comprehensive terms of service, fee schedules, and guaranteed redemption rights at par value, ensuring transparency and protection for holders of the stablecoin.

3. Operational and Technical Readiness

3.1. Technology Infrastructure

USVT's platform leverages a hybrid Layer-1/2 blockchain to balance scalability, security, and compliance. Key technology components include:

- **Permissioned Node Governance:** Validator nodes are operated by institutions under a formal governance model, satisfying the Ordinance's requirement for robust policies and controls to safeguard data integrity and prevent systemic risks.
- **Smart-Contract Automation:** Modular contracts govern issuance, redemption, reserve rebalancing, multi-signature treasury controls, and automated Zakat distributions. All contracts undergo dual security audits by CertiK and USVT's internal security team before release.
- **Real-Time Monitoring Dashboards:** Integrated analytics visualize transaction throughput, node health, gas usage, and on-chain proof-of-reserves, enabling operational teams and regulators to track performance and reserve sufficiency in real time.

Quantum-Resistant Cryptographic Infrastructure

In recognition of emerging quantum computing threats, USVT has proactively integrated quantum-resistant cryptographic measures into its blockchain and key management

infrastructure. Specific steps include:

- **Quantum-Secure Algorithms:** Adoption of post-quantum cryptographic schemes such as lattice-based cryptography (e.g., CRYSTALS-Kyber for encryption) and hash-based digital signatures (e.g., XMSS, SPHINCS+) to replace or supplement existing RSA/ECC systems vulnerable to quantum attacks.
- **Hybrid Cryptographic Solutions:** Deployment of hybrid encryption methods combining classical algorithms with quantum-resistant mechanisms, allowing phased migration and ensuring uninterrupted operational security.
- **Continuous Vulnerability Assessments:** Regularly scheduled quantum risk assessments, penetration testing, and cryptographic audits performed by third-party cybersecurity specialists to validate the quantum resilience of the cryptographic systems.
- **Agile Cryptographic Updates:** Modular technical architecture facilitating rapid cryptographic algorithm substitution to adapt swiftly to advancements in quantum computing and evolving regulatory standards.

3.2. Compliance & Risk Management

USVT embeds regulatory and risk controls directly into its operations:

- **KYC/AML/CFT Framework:** Automated identity verification integrated with Hong Kong's e-ID systems, AI-driven screening against FATF and UN sanctions lists, and continuous transaction monitoring for suspicious activities. These controls fulfill the Ordinance's anti-money-laundering and counter-terrorist financing requirements.
- **Business Continuity & Disaster Recovery:** A multi-region, multi-node failover architecture with cloud-based redundancy, defined recovery time objectives (RTOs) and recovery point objectives (RPOs), and regular drills ensure uninterrupted operations and comply with the Ordinance's operational resilience standards.
- **Enterprise Risk Framework:** A comprehensive risk taxonomy aligned with HKMA's Supervisory Policy Manual CG-6, covering credit, market, liquidity, operational, and cyber risks. AI-enhanced stress-testing and scenario simulations evaluate resilience under extreme market conditions, informing quarterly board-level risk reviews.

3.3. Engagement & Collaboration Plan

USVT's structured engagement strategy fosters ongoing dialogue and iterative feedback:

- **Sandbox Application Timeline:** Submission of licence application and sandbox entry materials in Q4 2025, targeting a controlled pilot launch in Q1 2026 to validate system

functionality under regulatory oversight.

- **Bilateral Workshops & Simulations:** Deep-dive sessions with HKMA on reserve reporting methodologies, Shariah-compliance interfaces, and disaster-recovery drills. Joint crisis-response exercises will test and refine operational and technical protocols in alignment with Ordinance contingency requirements.

- **Formal Feedback Loops:** A change-control process and Memorandums of Understanding with HKMA establish pre-approved action plans and working groups, enabling USVT to adapt swiftly to evolving regulatory expectations and maintain continuous compliance.

4. Appendix

Table A: Detailed Mapping of Ordinance Clauses to USVT Policies

Ordinance Clause	Regulatory Requirement	USVT Policy / Implementation
Sections 14–16	Apply for Stablecoin Issuer Licence	Hong Kong–incorporated SPV submits application under sections 14–16, with full documentation and disclosures
Schedule 2 Part 2 (Corp. Status)	Must be HK-incorporated or approved AI, meet paid-up capital threshold	SPV established in HK with HKD 25M paid-up capital, global AI option for partnership structures
Governance (Ch. 5, Part B)	Independent directors, committees, fit-and-proper persons	Board of 2 independents + CCO; formal Risk, Audit, Compliance committees; Shariah Supervisory Committee
Reserve Management (Ch. 7)	100% backing; eligible assets; segregation; real-time monitoring	1:1 peg; 75% USD, 10% Sukuk, 10% other Islamic instruments., 5% gold; ring-fenced trust; on-chain PoR & audits
Reporting &	Quarterly returns;	Periodic returns, reserve reconciliations,

Disclosure (Ch. 9)	public disclosures; audit attestations	and attestation summaries published on transparency portal
Operational Resilience (Ch. 11)	BCP/DR, RTO/RPO, disaster drills	Multi-region failover; documented RTO/RPO; quarterly and annual disaster-recovery drills
AML/CFT (Ch. 13)	KYC, transaction screening, sanctions lists	e-ID integration; FATF/UN screening; real-time alerting & case management

Table B: Organizational Chart & Committee Charters

Entity / Committee	Members & Roles	Charter Highlights
Board of Directors	2 Independent Directors; CEO; CFO; CCO	Oversight of strategy, compliance, and risk; meets monthly; approves major policies
Risk Committee	1 Independent Director (Chair); Head of Risk; CCO	Defines risk appetite; reviews risk reports; sets mitigation plans; quarterly meetings
Audit Committee	1 Independent Director (Chair); CFO; Head of Internal Audit	Oversees financial reporting; reviews external audit findings; ensures audit plan execution
Compliance Committee	CCO (Chair); Head of Legal; Head of KYC/AML	Monitors regulatory changes; approves compliance policies; coordinates with HKMA
Shariah Supervisory Committee	3 Shariah Scholars; Head of Product Compliance	Reviews Shariah compliance of reserves, contracts, and processes; issues fatwa; biannual meetings

Table C: Reserve Investment Policy Statement

Policy Element	Description
Objective	Ensure 100% fiat-equivalent backing, liquidity, and compliance with Shariah and HKMA requirements.
Asset Allocation	75% USD cash & equivalents; 10% Sukuk; 10% other Islamic instruments 5% Gold.
Eligibility Criteria	High-quality sovereign or supranational securities; investment-grade Sukuk; allocated vaulted gold.
Concentration Limits	Single-issuer exposure $\leq 10\%$; asset class limits per allocation percentages.
Segregation & Custody	Assets held in ring-fenced trust accounts; independent trustees with fiduciary duties.
Monitoring & Rebalancing	Automated smart-contract triggers if allocations deviate $\pm 5\%$; monthly third-party attestations.
Reporting	Real-time on-chain proof-of-reserves dashboard; quarterly auditor reports; public disclosures.

Breakdown of HKMA's New Stablecoin Regulations and USVT Alignment

Hong Kong's Ordinance No. 17 – 2025 introduces comprehensive requirements for stablecoin issuers across three core domains: legal structure, governance oversight, and reserve management. The following sections distill these regulatory mandates and demonstrate how USVT's design fulfills each requirement.

1. Legal Structure Requirements

- **Hong Kong Incorporation or Approved Institution:** Issuers must be registered in Hong Kong or recognized globally under an AI framework.
- **Segregation of Assets:** Token issuance must be legally separated from reserve assets via trust or equivalent arrangement.
- **Capital Adequacy:** Minimum paid-up capital threshold and ongoing financial resource requirements.

USVT Alignment

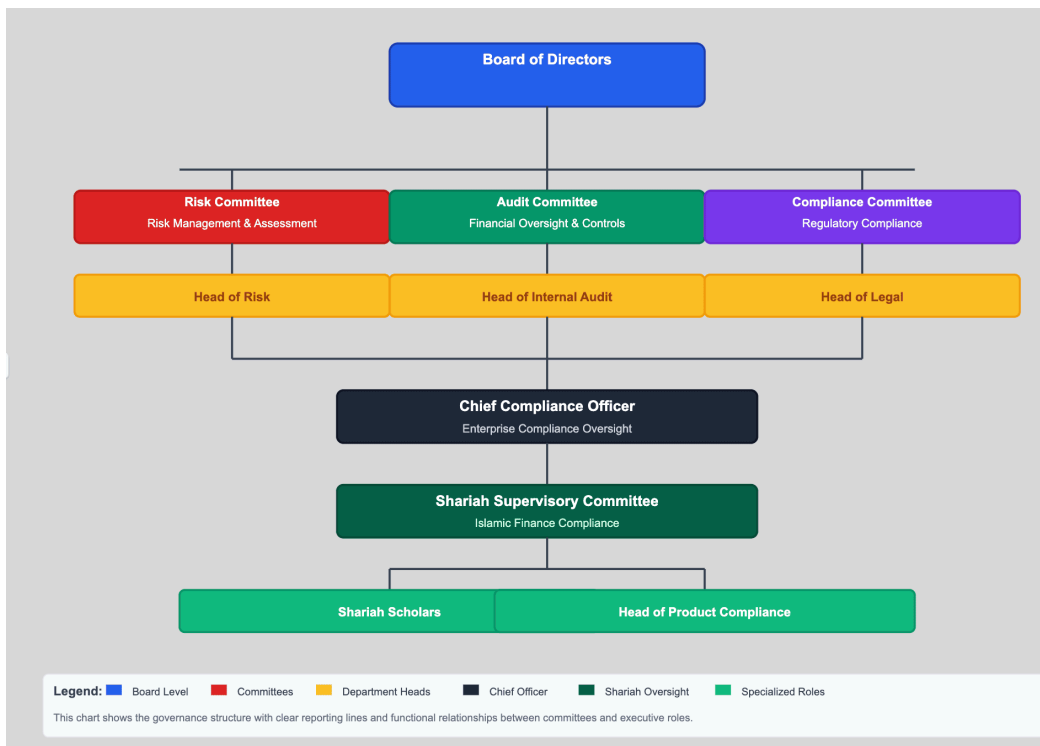
- Structured as a Hong Kong–incorporated special-purpose vehicle to qualify directly under the Ordinance.
- Reserve assets are held in a ring-fenced trust under fiduciary trusteeship, fully isolated from operating liabilities.
- Paid-up capital meets and exceeds the regulatory minimum, with additional liquidity lines in place for contingency funding.

2. Governance and Oversight Requirements

- **Board and Committees:** Mandated independent board directors and formal Risk, Audit, and Compliance committees.
- **Shariah Supervision:** For relevant issuers, an independent Shariah Supervisory Committee must oversee halal compliance.
- **Independent Audit and Attestation:** Quarterly audits and reserve attestations by approved external auditors.
- **Reporting and Disclosure:** Periodic regulatory filings, public reserve disclosures, and immediate notification of material changes.

USVT Alignment

- Governing board includes independent directors and a Chief Compliance Officer, with formalized committees chartered to HKMA standards.
- A dedicated Shariah Supervisory Committee provides continuous halal-compliance oversight.
- Quarterly attestations by independent auditors confirm reserve sufficiency, with high-level summaries published on USVT's transparency portal.
- Regulatory reporting processes and real-time disclosure dashboards ensure all obligations and material events are communicated promptly.



3. Reserve Model and Asset Requirements

- **Full 1:1 Backing:** Reserves must equal or exceed token liabilities at par value.
- **Permissible Asset Classes:** Cash, government securities, Sukuk, gold, and specified FX instruments, subject to concentration limits.
- **Segregation and Custody:** Assets must be held in protected, segregated accounts or trusts.
- **Real-Time Monitoring:** On-chain or equivalent systems for continuous reconciliation and proof of reserves.

USVT Alignment

- Maintains a 1:1 USD peg with a resilient portfolio: 75% USD reserves, 10% Sukuk, 10% other Islamic instruments, and 5% gold.
- All reserve assets are held in segregated trust accounts, legally protected from operating liabilities.
- Automated smart-contract triggers execute reserve top-ups and rebalancing when thresholds are breached.
- An on-chain proof-of-reserves dashboard provides regulators and stakeholders with real-time visibility and audit-grade data.

Through this mapping, USVT's legal structure, governance framework, and reserve mechanisms can be seen to align fully with the new HKMA regulations, positioning the stablecoin for immediate licensing and sustained compliance.

5. Alignment with Additional HKMA Regulatory Initiatives

5.1. Upcoming Regulation: Supervision Guidelines under Section 171

The HKMA will issue *Guidelines on Supervision of Licensed Stablecoin Issuers* under section 171, detailing expectations for corporate governance, internal controls, risk management, technology standards, and supervisory review processes.

USVT Alignment and Implementation Capability:

- An internal Supervision Framework is already in place, with documented policies on board oversight, committee structures, and escalation protocols that mirror the forthcoming guidelines.
- Continuous self-assessment schedules and annual external reviews ensure periodic validation of controls, with remediation plans tracked through a governance dashboard.
- **Preparedness for Implementation:** USVT's governance team is poised to integrate the finalized Guidelines into existing policies within 30 days of publication, with automated compliance tracking and update workflows.

5.2. Upcoming Regulation: Enhanced AML/CFT Regime

HKMA's consultation paper proposes a risk-based AML/CFT regime extending to stablecoin issuers, including stringent due diligence, transaction monitoring, suspicious-activity reporting, and full lifecycle record-keeping for on-chain and off-chain transactions.

USVT Alignment and Implementation Capability:

- A unified KYC/AML/CFT platform integrates government e-ID verification, AI-driven screening against global sanctions and watchlists, and biometric authentication for high-risk profiles.
- Real-time transaction analytics, incorporating wallet fingerprinting and geolocation checks, enable detection of anomalous patterns and immediate suspension of suspect accounts.
- Complete audit trails and secure data storage meet HKMA and FATF record-retention requirements, supporting audits and regulatory examinations.
- **Preparedness for Implementation:** USVT's compliance engine is designed for rapid rule deployment; new AML/CFT parameters can be coded, tested, and activated within two weeks of final rule issuance.

5.3. Upcoming Regulation: Stored-Value Facilities (SVF) Licensing under PSSVFO (Cap. 584)

Ordinance No. 17 clarifies that licensed stablecoin issuers must also hold an SVF licence for payment-related functions, with requirements for capital, custodial segregation, consumer protection, and dispute-resolution mechanisms.

USVT Alignment and Implementation Capability:

- The legal structure includes an SVF arm with ring-fenced trust accounts and independent trustees ensuring client-asset segregation.
- Operations manuals define clear user disclosures, fee schedules, and guaranteed redemption processes, along with a tiered dispute-resolution workflow.
- Integrated reporting modules automate quarterly SVF returns, transaction logs, and consumer complaint data submissions to HKMA.
- **Preparedness for Implementation:** USVT's SVF governance playbook is finalised and standby, enabling full SVF licence compliance checks and system updates immediately following legislative enactment.

5.4. Upcoming Regulation: Virtual Asset Dealing & Custody Licensing

The Financial Services and the Treasury Bureau, in coordination with the SFC, proposes licensing for virtual asset dealing and custody services. Custodial SVF licensees under HKMA oversight will adhere to fit-and-proper standards, asset protection rules, key-management protocols, financial-resource thresholds, business-continuity requirements, and investor safeguards.

USVT Alignment and Implementation Capability:

- A multi-party key-management system splits custody keys across geographically separated HSMs, combined with insured cold-storage vaults and regular forensic audits.
- Executive-level fit-and-proper vetting processes extend to all custodial partners and service providers, ensuring governance consistency.
- Dual-reporting infrastructure streams operational metrics and incident reports to both HKMA and SFC, covering assets under custody, transaction volumes, and security events.
- **Preparedness for Implementation:** USVT's custody framework is modular and can incorporate new fit-and-proper criteria, audit scopes, or reporting templates within three business days of regulatory finalization.

5.5. Upcoming Regulation: Cross-Border Interoperability Standards

HKMA is developing interoperability protocols for cross-border stablecoin transactions, focusing on messaging standards, liquidity management, and anti-money-laundering safeguards in multijurisdictional contexts.

USVT Alignment and Implementation Capability:

- USVT's cross-border settlement module is configurable to adopt ISO 20022 messaging, with dynamic liquidity pools and prefunded FX corridors managed via smart contracts.
- A dedicated compliance rule engine applies jurisdiction-specific AML/CFT and tax reporting rules during cross-border transfers, with real-time regulatory alerts and audit logs.
- **Preparedness for Implementation:** USVT's cross-border protocol plugins and compliance ruleset repository allow full deployment of new interoperability standards within one month of HKMA issuance.

5.6. Upcoming Regulation: Data Privacy & Cybersecurity Requirements

Anticipated HKMA circulars will impose enhanced data protection and cybersecurity standards for stablecoin systems, including encryption, access controls, incident reporting timelines, and penetration-testing obligations.

Anticipated Quantum-Resistant Standards:

Given the advancements in quantum computing capabilities, it is anticipated that the HKMA will soon mandate quantum-resistant cryptographic standards to safeguard digital financial infrastructure. Future guidelines are likely to require stablecoin issuers to demonstrate resilience against quantum attacks, particularly in areas involving cryptographic signatures, transaction validation, and key management.

USVT Alignment and Implementation Capability:

- End-to-end encryption of off-chain user data and on-chain pseudonymization protocols secure personal information, meeting PDPO requirements.
- Role-based access controls, multi-factor authentication, and continuous security monitoring safeguard infrastructure.
- Annual third-party penetration tests, vulnerability assessments, and mandatory breach-notification processes ensure compliance with HKMA's cyber-resilience expectations.
- **Preparedness for Implementation:** USVT's security operations centre has pre-defined playbooks to integrate new encryption algorithms, incident response timelines, and

testing cycles within two weeks of any requirement update.

6. Conclusion and Next Steps

This report has systematically demonstrated USVT's preparedness to meet and exceed the requirements of Ordinance No. 17 – 2025 and forthcoming HKMA regulatory guidance across every dimension of stablecoin issuance and operation. Through detailed mapping of regulatory clauses to policies, structural safeguards, governance frameworks, reserve methodologies, and operational capabilities, USVT proves capable of maintaining full compliance while delivering a resilient and innovative product.

USVT's legal design, governance architecture, and reserve management model align precisely with the Ordinance's licensing, oversight, and consumer-protection mandates. The platform's hybrid Layer-1/2 blockchain infrastructure, dual-audited smart contracts, real-time monitoring, and robust compliance systems ensure operational integrity, security, and transparency. Modular policy frameworks, rapid-deployment compliance engines, and pre-approved playbooks enable USVT to integrate forthcoming HKMA guidelines—on supervision, AML/CFT, SVF licensing, custody, interoperability, and cyber-resilience—within days to weeks of final issuance. A clear engagement plan featuring sandbox application milestones, bilateral workshops, crisis simulations, and formal feedback loops positions USVT as a proactive partner to the HKMA in refining safe and effective stablecoin regulation.

The next steps involve finalizing submission materials by Q4 2025 and engaging in pre-licensing dialogue through scheduled workshops to discuss supervisory guidelines, reserve reporting conventions, and Shariah interface requirements. USVT will

operationalize its Supervision Framework by executing self-assessment and external review schedules to benchmark against the HKMA's forthcoming supervisory expectations, and will conduct a final technical and security readiness audit—including penetration tests and disaster-recovery simulations—to certify compliance with the HKMA's cyber-resilience standards. Upon completion of these preparations, USVT will enter the HKMA sandbox in Q1 2026 to validate system performance, regulatory reporting, and consumer-protection mechanisms, iterating rapidly based on regulator and user feedback. By following this path, USVT will not only achieve licensing and launch in Hong Kong but also set a global benchmark for compliant, Shariah-compliant stablecoin services, reinforcing Hong Kong's leadership in innovative digital finance.

